

AGRICULTURAL COOPERATIVES IN ETHIOPIA (ACE)

ANNUAL

PROGRAMATIC REPORT

(January 1 – December 31, 2000)

SUBMITTED

TO

USAID/ETHIOPIA

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1. PROGRAM DESCRIPTION

The Agricultural Cooperatives Development Project, ACE in Ethiopia is an extension and expansion of the Cooperative Union Project in Oromia to four regions, namely, Oromia, Tigray, Southern and Amhara Regions for the period of five-years. The project aims to help achieve rapid rural development in the regions through the development and promotion of modern, business-oriented cooperatives under free market economy principles which will contribute to the enhancement of food security. This supports the Government of Ethiopia's and the Regional Governments' as well as USAID/Mission in Ethiopia's goal of ensuring food security through an agricultural-led industrialization strategy.

2. GENERAL ECONOMIC ENVIRONMENT

The support rendered to the cooperative movement in the country is increasingly conducive. Government organizations at various levels are proactive and positive in their understanding of cooperatives as independent, member-owned and democratic rural businesses. The Federal Government of Ethiopia (GOE) is increasingly creating a favorable environment for cooperatives. The May 2000 interview of the Prime Minister further strengthened the government's commitment towards cooperative development in the country.

Cooperatives in the four regions are operating at varying degrees of efficiency. All of them are result-oriented, however. Cooperative development is indicated by financial profitability, issuing dividends to members, reorganizing and registering. The top management activities of the cooperatives continue to be run by the elected management and control committees.

Support of primary cooperatives by the members is developing slowly. The payment of dividends by the cooperatives has grown to be the largest single factor initiating that change, followed by the increase of service levels and problem solving. The payment of dividends is accomplished by the creation of profits from operations. These operating surpluses are directly the result of business volumes and good management.

The volume of business conducted by cooperatives in all four regions during last year was reduced due to the effect of the preceding quarter erratic weather. Small season rains were inadequate and late with a dry spell convincing farmers and traders not to sell. Late in the growing season most areas turned dry. Some crops were lost at the budding stage. However, over all rainfall in cereals growing areas was more than adequate and distribution was more or less normal. However, rainfall was below average particularly at coffee flowering stage in the coffee growing areas in the Southern Region. Because of

this it is estimated that coffee growers might have lost 60-70% of yield in the past harvesting season.

The cooperative financial development in these areas is directly related to the crop size. Reduced crops decrease the volume of grain delivered to the cooperatives and the potential margins available. Despite these difficulties, many cooperatives remained profitable.

In 2000 explicit government subsidies for fertilizer were totally abolished. The fertilizer market has gradually become more competitive. The price of fertilizer is seeking its own level in the free market. The change in the market operation has disrupted the previous segmented market and in the process increased the retail price of fertilizer, and causing requests by the farmers to their cooperatives to find a way to reduce that cost. These requests by the farmers to their cooperatives are bringing about a new interest by the primary society members for the cooperative movement, and union formation. In Oromia, fertilizer supply through cooperatives as at June 30/2000 was 37,850 tons. In grain marketing 301 cooperatives purchased 7,711 tons at the value of Birr 13.6 million. In addition 21 cooperatives sold 7,482 tons of fruits and vegetables at the value of Birr 6.4 million. Three unions in Oromia have floated fertilizer bids and purchased from importers 9,971 tons (7,677 tons DAP and 2,293 tons of Urea) of fertilizer. The cost saving due to the above was Birr 140 per ton for DAP or 1.07 million less than the price of fertilizer distributed through other means like the package program in the same period. The unions also distributed 170 tons of improved seed. Union affiliated primary cooperatives have purchased 706 tons of red cherry and 30 tons of dry coffee. The Oromia Coffee Union attended Specialty Coffee Association of America exhibition in San Francisco that resulted in the export of 54,000kg of coffee at a price of Birr3.2/kg, which is higher than the price at the central market. In addition, the coffee union has signed an agreement with a private company to conduct a study to certify Ethiopian coffee as organic. In general, last year all cooperatives in the four regions distributed 69,766 tons of input and 27,360 tons of output.

Using the loan guarantee fund the unions purchased 2,287 tons of grain and 100% of the loan has been fully repaid. All of the unions have made substantial profit. For instance, Hettosa union has made a net surplus of Birr 166 thousand or 21%. The maximum dividend payment so far from grain marketing is Birr 1, 052. Cooperatives in Tigray also paid patronage a total amount of Birr 68 thousand. The maximum dividend paid was Birr 1, 550 and the minimum was Birr 0.10. In the Southern Region cooperative paid Birr 8. 3 million dividend. In Amhara Region the total amount of dividend paid by primary cooperatives was Birr 14 thousand. The five unions of Amhara, on the other hand, made a net profit of Birr 193 thousand and paid a maximum dividend of Birr 6 thousand and a minimum of Birr 8 hundred to their affiliated primary societies.

Lumme Adama union has begun a 1300-ton storage construction using its own resources. More over, Yerer (the previous Ada-Liben) union has constructed storage with a capacity of 1800 ton.

Patronage dividend on grain marketing in Oromia was Birr 236 thousand. Maximum dividend paid was Birr1, 052, while the lowest was Birr 0.15.

The restructuring and reregistering of cooperatives is being encouraged and is progressing at a steady pace. Projections are for this pace to increase significantly in next year. The cooperatives in the targeted areas in the four regions have expressed their interest in union formation. Six unions were formed in Amhara (Mota, Bure, DebreWork, Bichena, Gozamen and Lumame). In addition, two unions Becho-Woliso and Galema (each has a declared share capital of Birr 1,000,000) were formed in Oromia. Cooperatives in the South and Tigray are in the process of forming unions.

The Ethio-Eritria border conflict abated and created a better working environment for ACE activities in Tigray. As a result, cooperatives are being restructured and ToT trainings were conducted. It is planned that a union will be formed in the first quarter of year 2001.

3. Annual Activity Report

Table1 1: ACE First Annual Detail Activities.

No.	Planned Activities	Amhara	Oromia	South	Tigray	Total
01	Technical Advisors vetted and arrive in country.	✓ □	✓ □	✓ □	✓ □	✓ □
02	Conduct Baseline Survey	✓ □	17			
03	Place Monitoring and tracking system	✓ □	✓ □	✓ □	✓ □	✓ □
04	Survey of Cooperatives	56	52	130	39	277
05	Select target cooperatives	56	17	95	14	182
06	Reorganize/restructure cooperatives	14	25	4	39	82
07	Awareness Creation to farmers	24,016	30,165	30,189	22,105	106,475
08	Auditing of coops***	18	25	25	22	90
09	Conversion of existing capital to share capital, membership list updated past coop activities commercialized and conduct feasibility studies on existing coop activities	56	25	9	22	112
10	Prepare by laws	56	27	9	22	114
11	Select union forming primary coops	56	17	68	14	155
12	Form Unions	6	2			8

		Amhara	Oromia	South	Tigray	Total
13	3-month course in Kenya	12	15	12	4	43
14	Study Tour -USA -Kenya	2 5	2 25	2 8	2 1	8 39
15	Conduct ToT training in Accounting, Coop Management and Structure, Credit and Finance, Coop marketing and store management	58	62	31	37	188
16	Training for primary coop managers and board members and awareness	610	183	743	71	1,607
17	Training on business diversification	36	62	31		129
18	Training on post harvest loss minimization	37	62	31		130
19	Establish savings and credit coops -Surveyed communities -Selected communities -Established cooperatives	8 2 1	8 2 1	8 2	8	32 8 2
20	Training on environment and natural resource management					
21	Encourage women to purchase share capital and join coops	✓ □	1	53	167	220
22	Encourage CPBs to hire women promoters	✓ □	✓ □	45	27	72
23	Encourage women to participate in decision making	✓ □	30	✓ □	10	40
24	Participate women in study tours and short-term courses			1	1	2
25	Conduct monitoring	✓ □	✓ □	✓ □	✓ □	✓ □
26	Prepare quarterly progress report	✓ □	✓ □	✓ □	✓ □	✓ □

Narrative

* 4 or 31% were woman

** 13% were women

4. SUMMARY OF ACTIVITIES

Two long-term advisors have been placed and are fully operational. The unions which were established under CUP are functioning well and fully involved in agricultural marketing activity with a view to bring about quality impact to their members income. The Coffee union has exported 54 tons of coffee at a higher price of Birr 3.20 per kg. than at the central market. The Coffee union has been using aggressive marketing

strategy to penetrate the export market and with the help of ACDI/VOCA Uganda is, currently, exploring to go into Uganda and other African markets through Shoprite Supermarket complexes. The Coffee Union is preparing to export 100kg of coffee for testing the market. The fluctuating international market price, however, has been an impediment for speedy penetration and coverage of the US coffee market. The three unions in Oromia have floated tender for the purchase of 9,971 tons of fertilizer.

The loan guarantee fund has been a real support to unions' and primary societies activities. The credit from Abyssinia Bank has been managed well and the unions have returned 100% of the total loan. From the sale of grain the unions have made good profit. For instance, Hittosa union made a net surplus of 21% from its grain marketing operations. In addition, the unions have purchased 170 tons of improved seed after selling it at a higher return.

5. Year 2001 Plan of Work

Year 2001 annual work plan has been prepared and submitted to USAID for approval.

Summary of Agricultural Cooperatives in Ethiopia (ACE) Year 2000 Achievements

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- Three unions in Oromia have floated fertilizer bids and purchased from importers 9,971 tons (7,677 tons DAP and 2,293 tons of Urea) of fertilizer. The cost saving due to the above was Birr 140 per ton for DAP or 1.07 million less than the price of fertilizer distributed through other means like the package program in the same period.
- The unions also distributed 170 tons of improved seed. Union affiliated primary cooperatives have purchased 706 tons of red cherry and 30 tons of dry coffee.
- The Oromia Coffee Union attended Specialty Coffee Association of America exhibition in San Francisco that resulted in the export of 54,000kg of coffee at a price of Birr3.2/kg, which is higher than the price at the central market. In addition, the coffee union has signed an agreement with a private company to conduct a study to certify Ethiopian coffee as organic. In general, last year all cooperatives in the four regions distributed 69,766 tons of input and 27,360 tons of output.
- Using the loan guarantee fund the unions purchased 2,287 tons of grain and 100% of the loan has been fully repaid. All of the unions have made substantial profit. For instance, Hettosa union has made a net surplus of Birr 166 thousand or 21%.
- The maximum dividend payment so far from grain marketing is Birr 1, 052. Cooperatives in Tigray also paid patronage a total amount of Birr 68 thousand. The maximum dividend paid was Birr 1, 550 and the minimum was Birr 0.10. Patronage dividend on grain marketing in Oromia was Birr 236 thousand. Maximum dividend paid was Birr1, 052, while the lowest was Birr 0.15.
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- In the Southern Region cooperative paid Birr 8. 3 million dividend.
- In Amhara Region the total amount of dividend paid by primary cooperatives was Birr 14 thousand. The five unions of Amhara, on the other hand, made a net profit of Birr 193 thousand and paid a maximum dividend of Birr 6 thousand and a minimum of Birr 8 hundred to their affiliated primary societies.
- Lumme Adama union has begun a 1300-ton storage construction using its own resources. More over, Yerer (the previous Ada-Liben) union has constructed storage with a capacity of 1800 ton.
- Six unions were formed in Amhara (Mota, Bure, DebreWork, Bichena, Gozamen and Lumame). In addition, two unions Becho-Woliso and Galema (each has a declared share capital of Birr 1,000,000) were formed in Oromia. Cooperatives in the South and Tigray are in the process of forming unions.

No.	Planned Activities	Total
01	Technical Advisors vetted and arrive in country.	✓ □
02	Conduct Baseline Survey	
03	Place Monitoring and tracking system	✓ □
04	Survey of Cooperatives	277
05	Select target cooperatives	182
06	Reorganize/restructure cooperatives	82
07	Awareness Creation to farmers	106,475
08	Auditing of coops***	90
09	Conversion of existing capital to share capital, membership list updated past coop activities commercialized and conduct feasibility studies on existing coop activities	112
10	Prepare by laws	114
11	Select union forming primary coops	155
12	Form Unions	8
13	3-month course in Kenya	43
14	Study Tour -USA -Kenya	8 39
15	Conduct ToT training in Accounting, Coop Management and Structure, Credit and Finance, Coop marketing and store management	188
16	Training for primary coop managers and board members and awareness	1,607
17	Training on business diversification	129
18	Training on post harvest loss minimization	130
19	Establish savings and credit coops -Surveyed communities -Selected communities -Established cooperatives	32 8 2
20	Training on environment and natural resource management	
21	Encourage women to purchase share capital and join coops	220
22	Encourage CPBs to hire women promoters	72
23	Encourage women to participate in	40

		Total
	decision making	
24	Participate women in study tours and short-term courses	2
25	Conduct monitoring	✓ <input type="checkbox"/>
26	Prepare quarterly progress report	✓ <input type="checkbox"/>

Narrative

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The fluctuating international market price, however, has been an impediment for speedy penetration and coverage of the US coffee market

	<u>1998/99</u>	<u>1999/2000</u>
Savings on Fertilizer Due to Tender	USD 171,000	USD149 571